

Message Text

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ACTION NEA-13

INFO OCT-01 AF-10 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

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FM USINT BAGHDAD

TO SECSTATE WASHDC 735

INFO USINT ALGIERS

AMEMBASSY AMMAN

AMEMBASSY ANKARA

AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY SANNA

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

USMISSION GENEVA

USINT CAIRO

C O N F I D E N T I A L BAGHDAD 36

BEIRUT PASS DAMASCUS

KUWAIT PASS GULF POSTS

E.O. ;1652: GDS

TAGS: PINT, PFOR, IZ, XF

SUBJECT: CURRENT ASSESSMENT FROM IRAQ

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1. SUMMARY: IRAQ ENTERS 1974 WITH CONFIDENCE AND GOOD PROSPECTS

FOR AN ECONOMIC BOOM AS RESULT INCREASE IN ANTICIPATED OIL REVENUES AND DOMINANT POSITION OF SADDAM HUSSEIN'S REALISTIC WING OF BAATH PARTY. U.S. COMPANIES HAVE OPPORTUNITY TO QY IMPORTANT ROLE. THERE IS LITTLE LIKELIHOOD OF IRAQ TAKING MORE MODERATE POSITION ON MIDDLE EAST SETTLEMENT. IN FACT, FROM BAGHDAD VANTAGE POINT, THERE IS INCREASING DANGER THAT IF SETTLEMENT NOT ACHIEVED QUICKLY, EXTREMIST POSITION MAY INFLUENCE ARAB MODERATES TO INCREASE THEIR NEGOTIATING DEMANDS AS EXTENT OF POWER SHIFT IN FAVOR OF ARABS BECOMES CLEAR. END SUMMARY.

2. IRAQ HAS RETURNED TO ITS PRE-WAR POLICY OF RAPID ECONOMIC EXPANSION AND PROSPECTS FOR SUCCESS ARE EXCELLENT. OIL REVENUE FOR 1974 IS CONSERVATIVELY ESTIMATED AT FIVE BILLION DOLLARS. PROSPECTS FOR POLITICAL STABILITY ARE IMPRVED BY STRENGTHENED POSITION OF RCC VICE CHAIRMAN SADDAM HUSSEIN. NEWLY ELECTED MEMBERS OF REGIONAL LEADERSHIP ARE CLOSE ASSOCIATES OF SADDAM'S AND MORE KNOWN FOR THEIR EXVTISE THAN PARTY LOYALTY. DESIRE FOR ACTION EVIDENCED BY RECENT RCC DECREE GRANTING SPECIAL POWERS TO COMMITTEE HEADED BY SADDAM TO TAKE OVER IMPLEMENTATION OF SELECTED MAJOR PROJECTS THEREBY BYPASSING BUREAUCRACY AND OBTAINING QUICK VISIBLE RESULTS.

3. ECONOMIC RELATIONS WITH JAPAN AND EUROPEANS ARE BOOMING. BILATERAL AGREEMENT BEING NEGOTIATED WITH JAPAN FOR ONE BILLION DOLLAR INDUSTRIALIZATION LOAN IN EXCHANGE FOR OIL IS ONLY MOST STRIKING EXAMPLE. AFTER INITIAL HESITATION IN POST-WAR PERIOD, GREEN LIGHT NOW ON AGAIN FOR COMMERCIAL DEALS WITH U.S. FOR AIRCRAFT, SCIENTIFIC AND PRECISION ITEMS, PETROLEUM EQUIPMENT, AND OTHER HIGH TECHNOLOGY PRODUCTS. MOST IRONIC EXAMPLE IS GOI DESIRE TO IMPORT AMERICAN LUXURY AUTOMOBILES TO BENEFIT FROM DEPRESSED PRICES IN U.S. EXPANSION OF ECONOMIC RELATIONS WITH OTHER COUNTRIES HAS DIMINISHED IMPORTANCE OF SOVIET POSITION AND SOVIETS KNOWN TO BE DISTURBED BY IRAQI TOUGHNESS ON PROVIDING OIL UNDER BARTER AGREEMENTS, AS WELL AS POLITICAL DIFFERENCES OVER MIDDLE EAST SETTLEMENT. DISAFFECTION FROM USSR SHOULD NOT, HOWEVER, BE EXAGGERATED SINCE SOVIETS
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CONTINUE TO HAVE NEAR MONOPOLY ON CONTINUING SUPPLY OF MILI*ARY EQUIPMENT AND TRAINING. THEY ALSO EXERT SOME INFLUENCE OVER KURDS AND ICP WHICH GOI GOPES TO UTILIZE IN RESOLVING
LONGSTANDING KURDISH PROBLEM.

4. IN EXTERNAL AFFAIRS, IRAQ CONTINUES TO EXPLOIT ITS GEOGRAPHIC REMOTENESS FROM ISRAEL BY CONDENMING ALL SETTLEMENT EFFORTS AS PART OF U.S.-ZIONIST CONSPIRACY. DISENGAGEMENT ACCORD SEEN AS EGYPTIAN CAPITULATION. WHILE MUCH OF IRAQI

RHETORIC IS FOR DOMESTIC CONSUMPTION, ONE THEME THAT MAY GATHER STRENGTH IS THAT ARABS SHOULD NOT HAVE ACCEPTED CEASE-FIRE SINCE DURING WAR ARAB UNITY HAD BECOME REALITY, DECISION TO USE OIL AS WEAPON HAD BEEN TAKEN, AND ISRAELI MILITARY SUPERIORITY HAD PROVEN ILLUSORY. THEREFORE GIVEN POPULATION ADVANTAGE ECONOMIC POWER, AND INTERNATIONAL ISOLATION OF ISRAEL THERE IS NO JUSTIFICATION FOR ARABS ACCEPTING COMPROMISE SETTLEMENT. IF THEY USE THEIR POWER, THEY CAN ACHIEVE "FULL RESTORATION OF RIGHTS OF PALESTINIANS". THIS INCREASINGLY LIKELY TO BECOME IRAQ'S POSITION IN ARAB FORUMS AS EXTENT OF POWER SHIFT IN FAVOR OF ARABS VIS-A-VIS ISRAEL BECOMES EVIDENT, WHILE OTHERS CAN ARGUE THAT THIS "TOUT OU RIEN" AP*ROACH HAS WORKED AGAINST ARAB INTERESTS SINCE BALFOUR DECLARATION, IRAQ WILL TRY TO MAKE CASE THAT ARABS FOR FIRST TIME ARE ON RIGHT SIDE OF POP TDQOTN. (#)

THUS, FROM VANTAGE POINT OF BAGHDAD, THERE IS DANGER THAT IF SETTLEMENT IS NOT ACHIEVED QUICKLY ARAB DEMANDS WILL RISE. SINCE JAN 1 IRAQ HAS RECEIVED MINISTERIAL LEVEL VISITS FROM USSR, YUGOSLAVIA, INDONESIA, TANZANIA, BANGLADESH, INDIA, AFGHANISTAN, ITALY, SOMALIA, JAPAN AND SWEDEN. THIS KIND OF ATTENTION GOES TO ANYONE'S HEAD. LOWRIE

NOTE BY OC/T: (#) PARA 4 AS RECEIVED. WILL BE SERVICED ON REQUEST.

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